Conflict in the Middle East

Update

9th March 2026

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The conflict in the Middle East continues into its second week

Unfolding events

- The US and Israel have intensified attacks on Iran and Lebanon.
- Over the weekend Iranian oil infrastructure was targeted.
- The Strait of Hormuz remains effectively closed due to risk of traversing in the hostile environment halting the transit of around 20% of global oil and large amounts of LNG supply.
- Iran continues to retaliate spreading the conflict wider throughout the Middle East.
- Mojtaba Khamenei, the son of Iran’s former Ayatollah, Ali Khamenei, has been chosen as the new supreme leader.
- The US has threatened to seize Iran's Kharg Island terminal which handles around 90% of the country's exports
- Qatar suspended LNG production at the worlds largest processing plant and Bahrain's state-owned energy company BAPCO says it has declared force majeure on upcoming contracts, after its operations were disrupted by a recent attack on its refinery.
- G7 nations are holding an emergency meeting to discuss the economic impact of the conflict and the potential of releasing stored oil reserves for the first time since 2022. The groups focus is on stabilizing energy prices and preventing inflation shocks.

Market Impacts so far…

- Oil prices have surpassed $100 a barrel for the first time since 2022.
- Equity markets have fallen globally as energy prices surge and geopolitical risk rises.
- European and UK gas prices have continued to surge with front-month and front-season gas prices pushing up over 50% since the start of the conflict.
- Electricity prices are following suit as they are still inextricably linked to the price of gas as it is usually the marginal generator.
- The conflict is expected to push up transport, fertiliser, and industrial costs, amplifying wider economic pressure.

Potential future price drivers

Although a lot has happened over the last week, we are still only 10-days into the conflict. At present prices continue to react strongly to a compounding list of bullish factors and unknown future risk. However, there will be a concerted global effort to bring an end to the hostilities and mitigate the macro economic impacts of the war. The potential market drivers remain consistent with our initial report.

Potential Market Bearish Factors

- There are large amounts of LNG set to come to market in the coming months.
- The LNG "glut" that was expected may now turn into plugging gaps in supply.
- US plans to export Venezuelan oil may accelerate to add supply to the global market.
- The US has clearly stated it is not anticipating a protracted conflict.
- A small amount of flexibility exists for regional exports via Oman, Saudi Arabia, and UAE pipelines, but this would only allow incremental volume increases due to being close to capacity already.
- China is a main off taker of Iranian oil and significant volumes of Iranian oil are offshore China; China also has high oil stocks which may buffer immediate supply issues.
- India may resume importing Russian oil, of which large volumes remain at sea, reversing previous US pressure restrictions.
- The US may turn a blind eye to sanctioned oil during this time.
- Mild NW European weather forecasts is helping the fundamental supply outlook.

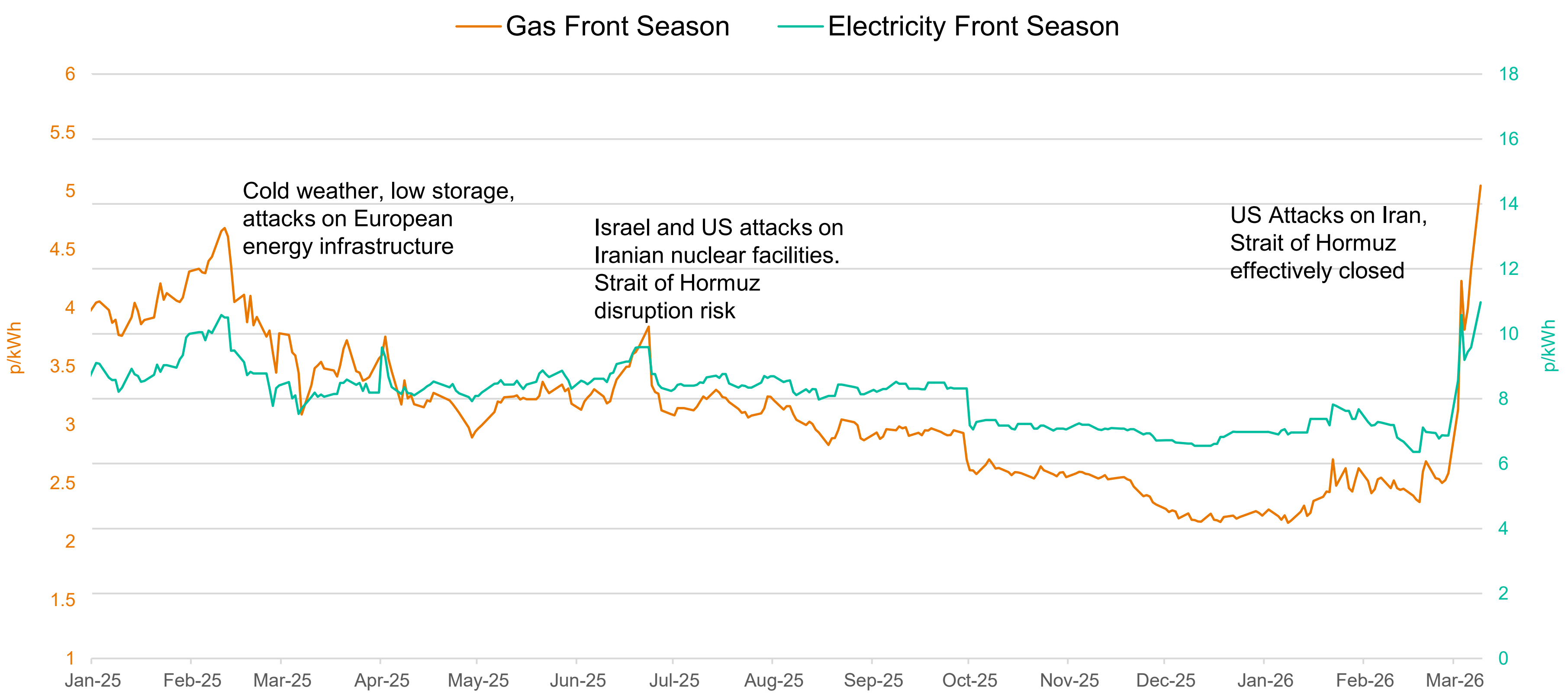
Potential Market Bullish Factors

- A ceasefire may not immediately ease market pressures as the key is the reopening of the Strait of Hormuz and restoration of normal shipping.
- Strait of Hormuz will only become safe for transit once it has been swept for mines which would take time.
- Restarting the large LNG plant in Qatar has an unknown timeframe.
- Further attacks that specifically impact energy infrastructure in the region.
- Japan and South Korea are active LNG buyers with no alternative but to go to the global market.
- Despite the US not wanting a protracted conflict, it is difficult to see the offramp to de-escalation at this stage.
- Low European gas storage means there will be a high need to import LNG over summer injection season.

Historical context (Last 14-months)

After a brief reprieve in the middle of last week, seasonal prices have continued to extend their gains on Monday 9th after the conflict escalated further over the weekend.

Front Season - at any point in time the price represents the cost of securing energy to be delivered for the 6-month period starting from the next season (e.g., the price in January 25 represents the cost of energy to be delivered from Apr 25 (Apr 25-Sep 25) and in April 25 the price represents the cost of energy to be delivered from October 25 (Oct 25-Mar 26).



Wider historical context

Although markets have seen largest daily movement in several years, prices are still far below the levels that were tested during the energy crisis, highlighting the importance of managing risk effectively.

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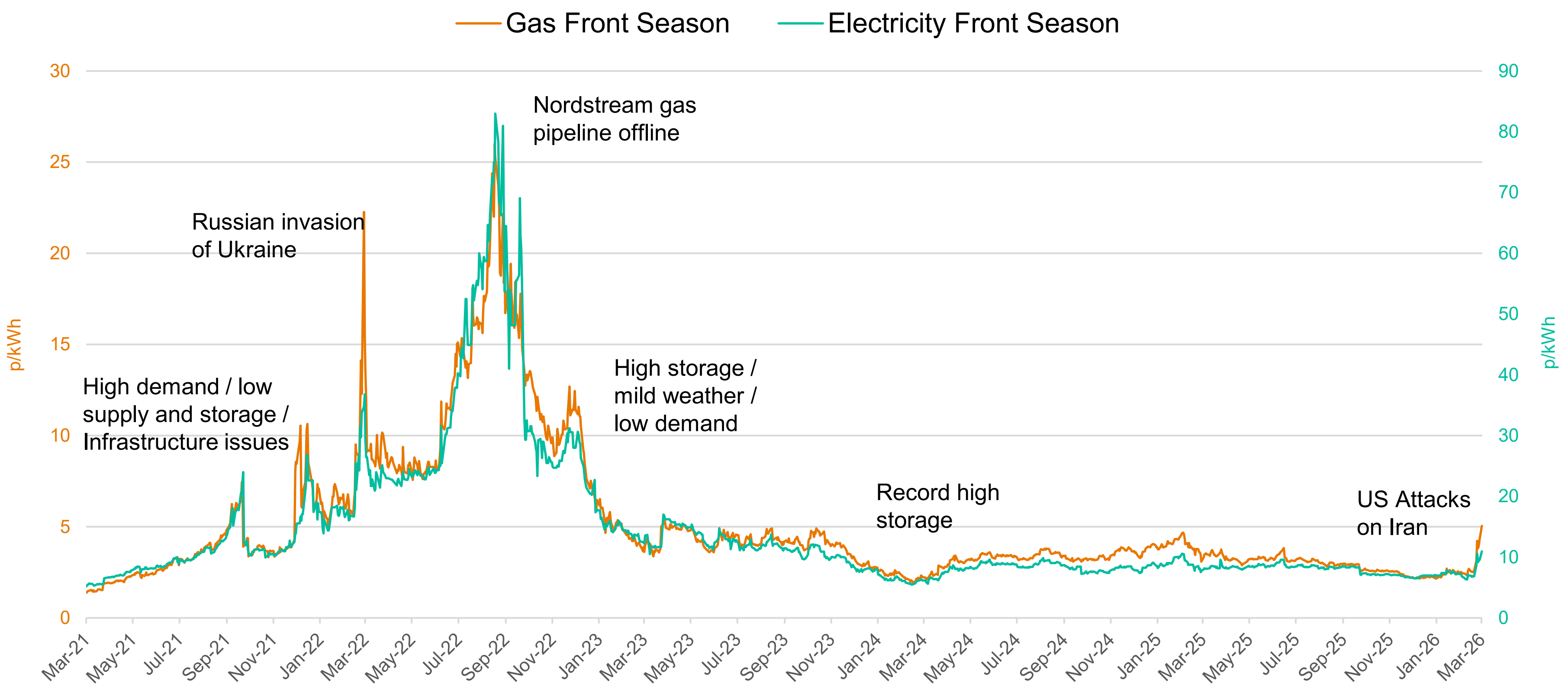


Oil Market Context

Oil markets reacted sharply to the escalation in the Iran conflict, with Brent crude initially jumping on 3rd March as traders priced in immediate geopolitical risk and the possibility of disruption to Middle Eastern supply. Prices surged again on 9th after further escalation with specific oil infrastructure attacks and further threats to supply.

Gas prices are not directly indexed to oil anymore, but they often act as the "anchor" for the wider energy complex.

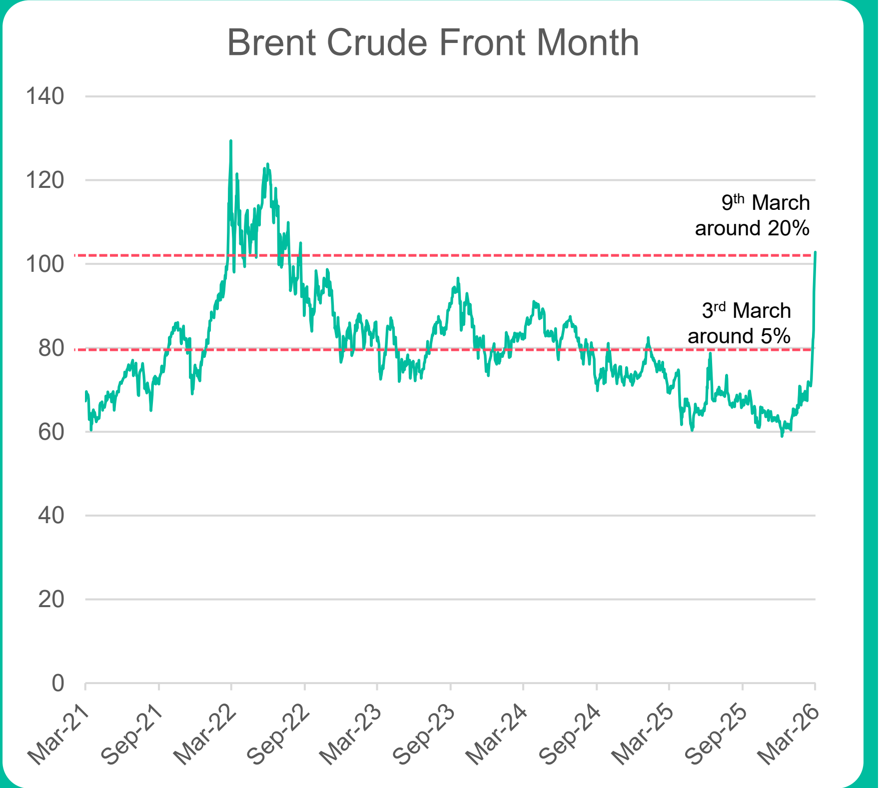
1. Fuel switching in power generation
When oil prices rise, oil-based fuels become more expensive, making gas relatively more competitive. This increases demand for gas, which pushes gas prices higher.

2. LNG market links
A large share of global LNG contracts — especially in Asia — are still indexed to oil benchmarks such as Brent Crude. When oil rises, oil-linked LNG contract prices increase pushing gas prices higher.

3. Global energy market sentiment
Oil is the largest and most liquid energy market, so it acts as a macro indicator of energy scarcity and geopolitical risk.

4. Shared infrastructure risk
Many geopolitical events that move oil prices — particularly in the Middle East and the Strait of Hormuz — also threaten LNG export facilities and shipping routes.

5. Portfolio and trading behaviour
Large commodity funds and energy traders often trade energy as a sector, not just individual fuels. When oil rallies sharply, capital flows into the broader energy complex, which can push up gas prices alongside crude benchmarks like Brent crude.



Markets are demonstrating extreme volatility

Extreme daily volatility makes pricing and holding a price extremely difficult. Large gaps between closing and opening prices exist as markets respond to overnight/weekend news. Prices fluctuate throughout the day reacting to the latest developments. Any fixed priced contract from a supplier is likely to be valid for a very short amount of time or contain a large risk premium to cover the potential market movement from pricing to securing.

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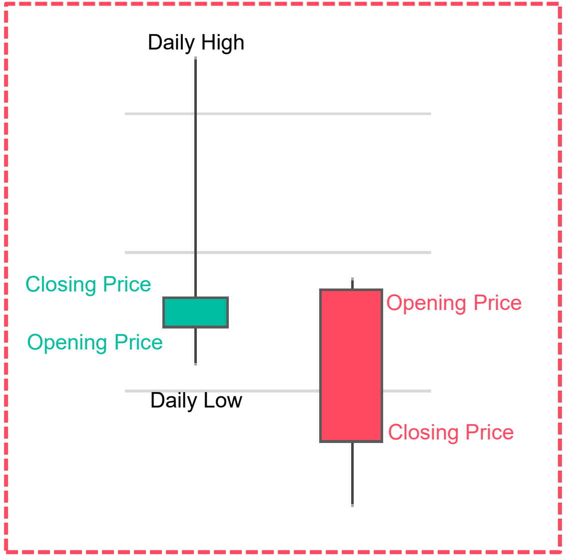
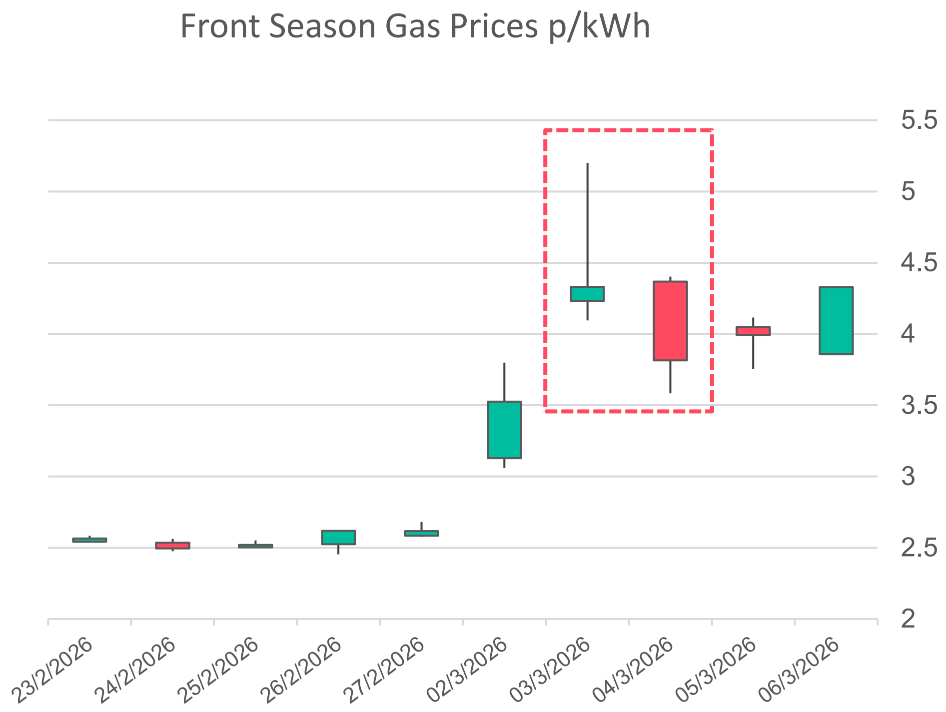
The candles represent the movement of prices throughout the trading day. A green candle represents an in-day upward move, and a red candle represents a downward move.





What to do next?

Every call-to-action is going to be bespoke depending on contract status, contract type, and individual customer needs.

Below are a few things to consider to help you navigate the current volatile environment.

Do not make knee jerk decisions
Make sure all decisions are as well informed as they can be and relevant for your bespoke set of circumstances. Weigh up the financial risk and consider your longer-term energy strategy.

Learn from the energy crisis (2022)
Long-term deals in this type of market scenario are very rarely going to be appropriate.

Consider waiting
If no immediate action is required, consider waiting for initial reactions to subside. If you are receiving a call to action from a new counterparty, carefully consider who the instructed action would benefit.

Be ready
At times like this is important that decisions can be made quickly. To allow for this, consider completing any pre-market engagement your business may require and prepare decision makers. Try to ensure that internal governance processes do not impede your ability to make decisive decisions.

The situation is evolving very rapidly
Reach out to your specific trusted energy advisors

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Focusing our energy on yours

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The Cloisters, 12 George Road,
Edgbaston,
Birmingham.
B15 1NP

0345 307 3433
info@gingerenergy.co.uk
www.gingerenergy.co.uk